Jobless Growth and the Right to Work

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Attacking Poverty

Building Solidarity

Creating Jobs

UNITED NATIONS

"Creating sufficient opportunities for productive employment and sustainable livelihoods is one of the most important — and most difficult — tasks in any society."

Human Development Report - 1994
United Nations Development Programme (UNDP)

Jobless growth

The right to work is a basic human right, recognized by the United Nations as fundamental to the well-being of people and their societies.

Over the past three decades, however, most countries in all parts of the world have been unable to create enough jobs to accommodate the growing numbers of people entering the workforce. Instead, they have experienced "jobless growth", with increases in output far exceeding gains in employment.

Of the world's total labour force of 2.8 billion, around 30 per cent are not productively employed, according to the International Labour Organisation (ILO). This includes more than 120 million people who are unemployed and some 700 million who are underemployed. These people constitute the bulk of the world's estimated 1.1 billion absolute poor.

Employment has consistently lagged behind economic growth in both industrialized and developing countries. For example:

♦ less than one third of the increase in output in developing countries during 1960-1987 came from increased labour; more than two thirds resulted from capital investment;

♦ in India and Pakistan, during this period, despite annual growth rates of more than 6 per cent a year, unemployment was above 15 per cent;

♦ industrialized countries as a whole managed fairly respectable growth in output during 1973-1987, but in France, Germany and the United Kingdom employment levels fell; by 1992 unemployment had climbed to roughly 10 per cent in the Western European countries;

♦ in Sub-Saharan Africa not one country had single-digit unemployment during the 1970s, 1980s and early 1990s; urban employment rates range between 15 and 20 per cent;

♦ informal employment has increased sharply in developing countries, offering low-wage, precarious jobs, rather than remunerative permanent employment.

Widening gap

Trends that have contributed to the widening gap between economic growth and the creation of new jobs include:

♦ a preference for capital-intensive rather than labour-intensive production methods;

♦ increased use of labour-saving technologies to counter rising labour costs;

♦ growing efforts of labour unions to protect the jobs of their members;

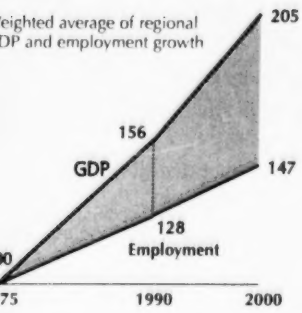
♦ a tendency to reduce the permanent labour force and employ more temporary workers.

Unless steps are taken to counter present trends, unemployment is sure to worsen. In developing countries, the total labour force increased by more than 400 million during 1960-1990. In these countries, it will continue to increase by 2.3 per cent a year in the 1990s, requiring an additional 260 million jobs.

Taking into account the number of people already unemployed or underemployed, the total requirement for the next decade will be around one billion new jobs. In the developing countries, this would mean increasing jobs at the rate of 4 per cent a year.

In addition to limiting people's purchasing power and options for participation in other aspects of economic life, failure to create jobs is likely to have serious social consequences. For example, the annual rate of net migration is likely to be about 4.6 per cent by the year 2000 as people move to urban areas in search of work. This will cause overcrowding, put pressure on water and energy resources and strain health, education and social services. Consequences related to the lack of jobs — for example homelessness, crime, prostitution leading to HIV infection and AIDS, and tensions among ethnic groups — are likely to multiply.

obless growth worldwide



e upper curve represents GDP growth 975-1990) and its projected trend 990-2000), weighted for major regions ECD countries, Latin America, Sub-haran Africa, South Asia and East Asia). **e lower curve** represents employment owth, weighted by region. Since 1975, nployment growth has consistently gged behind output growth, and this p is likely to widen during the 1990s.

urce: Human Development Report, 93, UNDP.

Employment creation

Policy makers worldwide are searching for strategies that combine a high GDP growth rate with more job opportunities. According to UNDP's *Human Development Report 1994*, the central elements of an effective national employment strategy are likely to include:

♦ **Education and skills** —To compete in a fast-changing global economy, every country has to invest heavily in the education, training and skill formation of its people.

♦ **An enabling environment** — Most new employment opportunities are likely to be generated by the private sector. But markets cannot work effectively unless governments create an enabling environment — including fair and stable macro-economic policies, an equitable legal framework, sufficient physical infrastructure and an adequate system of incentives for private investment.

♦ **Access to assets** —A more equitable distribution of physical assets (land) and better access to means of production (credit and information) are often essential to ensure sustainable livelihoods.

♦ **Labour-intensive technologies**—Developing countries have to be able to make the most efficient use of their factors of production — and to exploit their comparative advantage of abundant labour. Tax and price policies should, where appropriate, try to encourage labour-intensive employment.

♦ **Public works programmes** —Where private markets consistently fail to produce sufficient jobs, in certain regions or at certain times of the year, it may be necessary for the State to offer employment through public works programmes to enable people to survive.

♦ **Disadvantaged groups** — Where markets tend to discriminate against particular groups, such as women or certain ethnic groups, the State may need to consider targeted interventions or programmes of affirmative action.

♦ **Job sharing** —With the growing phenomenon of "jobless growth", it has become necessary to rethink the concept of work and to consider more innovative and flexible working arrangements—including job-sharing.

While the UNDP *Human Development Report* makes it clear that the experiences of one group of countries cannot be easily replicated elsewhere, it does suggest that unemployment is best solved by focusing on people, rather than solely on capital or production processes.

Another factor essential to job creation is the relevance of workers' skills to today's fast-changing environment. Education may not guarantee a job, inasmuch as there is often a mismatch between the number of educated people and the jobs calling for the knowledge and skills they have acquired. In the short term, more vocationally oriented training for the unemployed, and incentives to the private sector for hiring them, could be offered. Longer-term, however, the education and training systems of societies need to be adjusted so that people are able to acquire the skills that are in demand and flexible enough to enable labour to move to other areas.

Some of the greatest generators of jobs are small businesses, often started by individuals, families or community groups, and often including women. As would-be small-scale entrepreneurs lack collateral, it is usually difficult for them to obtain credit. Or, if they do manage to get loans, they must pay exorbitant interest rates. Ensuring ready access to capital is probably the most important step a government can take to promote entrepreneurship.

Strategy for the 1990s

Sustainable solutions will require looking at work in relation to a variety of issues countries must confront as they strive to alleviate poverty and achieve sustainable human development.

In its 1991 resolution on human resources for development, the UN General Assembly called for a well-conceived and integrated approach "... taking into account such vital areas as population, health, nutrition, water, sanitation, housing, communications, education and training, as well as the need to create more opportunities for employment ..."

This implies addressing employment within a broad-gauged human resources development strategy that not only trains people but assesses the employment market, provides good basic education, offers access to credit and builds a strong health-care system that provides jobs even as it prevents disease. Such a strategy requires the cooperation of many partners, including government ministries, the business and NGO communities, other members of civil society and UN and bilateral donor agencies. It may offer the best hope for moving towards the ideals embodied in Article 23 of the *Universal Declaration of Human Rights:*

> *"Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment."*

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